

# **EXHIBIT 23**

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*CONFIDENTIAL*

# Performance Quartiling – Process Overview

## October 2010

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September 30, 2010

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# Performance Quartiling – Process Overview

The **Performance Quartile** is an assessment of an employee based on performance and contribution, potential and capability relative to the employee's level of experience, position and peer group.

## **Factors to consider in Performance Quartiling:**

- Performance and Contribution
  - Quality of performance (360 reviews input and manager's view of accomplishments)
  - Long-term commercial impact/contribution
  - Contribution to effective risk management, reputational judgment and compliance
  - Support for diversity
  - Stewardship of the firm's culture and teamwork
- Potential
  - Potential to assume increasing responsibility
- Capability
  - Leadership and manager effectiveness
  - Communication effectiveness
  - Technical/functional expertise

## **Purposes of Performance Quartiles:**

- Identify top, middle and bottom contributors (relative to peers)
- Input to talent management processes (e.g., promotions, professional development, mobility and Career Development Reviews)
- Consideration in terminations, downsizings and managing out underperformers
- Consideration in compensation recommendations

## **Categories**

- Individuals should be assigned one of the following Performance Quartiles:
  - Q1 (Top 25%): Performance *exceeds* expectations; *significant upside* potential
  - Q2/Q3 (26<sup>th</sup>-75<sup>th</sup> percentile): Performance *meets* expectations; potential for employee to develop further
  - Q4 (Bottom 11-25%): Performance, while acceptable in certain respects, is *comparatively weak*; *limited* potential to develop further
  - Q5 (Bottom 10%): Performance is consistently *poor* on a relative basis; *lowest* potential to develop further

## **Eligible Population**

- The eligible population includes all exempt and non-exempt employees, EMD and below (active as of October 1, 2010), with the following exclusions:
  - New hires after May 1, 2010
  - Employees who did not participate in the 2010 summer review process
  - Advisory Directors
- Administrative support employees (assistants) and Program Analysts should be quartiled against their respective peers but will be reported separately in the final distributions of quartiles
- Employees on a paid, continuous leave for 16 weeks or more, with 16 of the weeks falling between June 1, 2010 and October 1, 2010 will receive a quartile, but will be excluded from the forced ranking component of the quartiling process

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# Performance Quartiling – Frequently Asked Questions

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## 1) What is the implication of assigning a Performance Quartile of Q4/Q5 to an employee?

A Performance Quartile of Q4 or Q5 reflects comparative under-performance relative to peers. Although the firm expects you to actively manage underperformers, assigning a Performance Quartile of Q4 or Q5 does not necessarily mean the employee should be placed on an immediate performance warning or be terminated. If the firm/division provides guidance that a performance management or downsizing process will be conducted it is likely that the final list will be largely comprised of a subset of the Q4/Q5 rated employees, but some Q4/5 performers may not be on the list, while employees from other quartiles may be listed (e.g., business restructuring). The list also will be based on business needs and will consider any performance changes that occurred since this Performance Quartiling process.

You should consult with your divisional Employee Relations or divisional HCM team if you need guidance on how to communicate and manage employees assigned a Q4/Q5.

## 2) Will there be direction from senior management regarding whether employees in Q5 (bottom 10%) will be eligible to receive a compensation increase?

Although it is one of the factors to be considered in setting compensation recommendations, the Performance Quartile is not the sole driver of compensation recommendations. For example, due to market compensation forces, an employee who is top-rated in terms of Performance Quartile may receive flat compensation year-over-year while a lower quartile employee may receive a higher percentage increase. Where applicable, separate guidance may be given to you by your divisional HCM team regarding Q5 performers and the impact that designation has on their compensation.

## 3) Who sees or reviews the Performance Quartiles I assign to my employees? Will the Performance Quartiles be reviewed by divisional senior leadership, HCM or others?

Performance Quartiles will be reviewed by your divisional HCM team as well as divisional senior leadership. As in past years, an independent review process with special focus on women, historically underrepresented groups and certain other groups will be applied to the Performance Quartile process. Make sure that you are able to validate any substantial differences between 360 review data and the Performance Quartile you assign and that the Performance Quartiles are fair and factually grounded. Employee Relations, Legal, and/or your divisional HCM generalist, may ask you for clarification on your Performance Quartiles.

## Performance Quartiling – Frequently Asked Questions (cont.)

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### 4) How is the Performance Quartile different from the 360-derived quartile some divisions display in the manager feedback report? How should the two relate?

Some divisions publish a **derived** 360-degree regional and global review quartile for employees in the manager feedback report. This review quartile is based on the adjusted average of the 360-degree ratings for certain criteria. The criteria are: Technical Skills, Communication Skills, Judgment/Problem Solving, Teamwork, Reputational Judgment and Compliance, Diversity, Leadership, Overall Commercial Effectiveness, and Overall Professional Performance. [Please note: some divisions calculate, but do not publish, 360-degree review quartiles]

The Performance Quartile and the derived 360-degree review quartile do not represent the same information. The quartile derived from 360-degree review information reflects certain aspects of 360-degree input, but does not take into account the manager's overall assessment, which is the information captured by the Performance Quartile. The manager is best positioned to differentiate between the performance, potential and capability of the individual and others to whom he or she should be compared.

Although the Performance Quartile and the 360-degree review quartile do not have the same basis or purpose, you should take care to validate any substantial differences between the quartile published in the feedback report and the Performance Quartile you have assigned. Because of regional differences in rating behaviors, managers should focus on the **regional** review quartile published in the feedback report.

### 5) How do I use this Performance Quartile in relation to the messages I send in the year-end review discussion?

The purpose of the Performance Quartile is to capture overall performance, potential and capabilities. It should encapsulate the strength of the employee's performance, potential and capability demonstrated in the current year and should align very closely to the messages given in the year-end review discussion. As in the past, the year-end review discussion should cover the employee's job accomplishments and contributions over the past 12 months, areas for development, mentoring and plans for stretch assignments and responsibilities to increase the employee's professional development over the coming review year. When you deliver review feedback to employees who are receiving a Q4 or Q5 Performance Quartile, you should make sure that you clearly communicate that the employee's performance is relatively lower than peers.

You should consult with your divisional Employee Relations or divisional HCM team if you need guidance on how to communicate and manage employees assigned a Q4/Q5.

## Performance Quartiling – Frequently Asked Questions (cont.)

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### 6) Are there any other factors I should consider when quartiling employees?

In addition to the performance factors outlined in this document, you should take into account how effective the employee is in the area of reputational care. This encompasses leadership, risk management and reputational judgment and compliance. Use discretion when assigning a quartile placement and consider any risk, judgment or compliance related issues that have arisen this year.

An independent review will be conducted to identify any substantial differences between the 360-degree review scores on the risk management and reputational judgment and compliance categories and the manager Performance Quartile you assign. This information will be reviewed by the Risk Management Group, Compliance, Employee Relations and the Employment Law Group, as appropriate. You may be asked to explain any substantial differences.

### 7) How do I respond when asked, “How does the Performance Quartile impact my promotion and compensation?”

Your response should be that the Performance Quartile is an overall assessment of performance, potential and capabilities to monitor your career progress and development. You should explain that this Performance Quartile is one of several factors that will go into the manager's thinking about promotion and compensation, but that it is not the sole determinant of promotion and compensation. Other factors considered include: special business needs, market conditions, etc.

# Divisional Contacts

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